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Advertising Age®

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Agencies keep pruning

Client moves hit JWT, Saatchi

NEW YORK—J. Walter Thompson USA is losing its status as lead agency on Miller Brewing's flagship brand as Miller shifts its focus from JWT's High Life to its promising new High Life Genuine Draft, handled by Backer & Spielvogel.

It's a startling turnaround for Backer, which had previously lost the creative assignment for High Life. Its remaining media buying role for the brand had appeared vulnerable.

In 1987, Miller is expected to shift the majority of its spending to Genuine Draft while slashing JWT's "Made the American way" campaign for High Life from about $42 million in measured media to $28 million.

The shift in Miller spending strategies was only one of a number of account shifts and resignations last week. Saatchi & Saatchi took new steps to pacify restless clients within its agency network.

Miller's shift in support to the successful Genuine Draft apparently started this year. Spending on High Life for the first six

(Continued on Page 102)

Thompson, BJK&E cite cost hikes, budget trims

By STEWART ALTER

Clients' spending cutbacks continue to take a human toll at their ad agencies, as J. Walter Thompson USA and Bozell, Jacobs, Kenyon & Eckhardt join the growing ranks of shops trimming expenses by cutting staff (AA, June 30, *et seq.*).

While these latest moves reflect a trend, they also add a new, more painful twist: Both JWT's New York office and BJK&E have been among the year's top gainers of new business and ranked high in a national survey of ad directors asked to name leading agencies (AA, Nov. 3).

But as their spokesmen indicated, the startup costs of new business cut into the ability to compensate for lost profits from existing accounts that reduced their spending.

Despite $225 million in new billings gained so far this year, BJK&E let go 46 employes nationwide, due primarily to existing clients' spending cutbacks.

JWT's New York office, winner of $95 million in IBM Corp. and Warner-Lambert Co. billings earlier this year—bringing 15 new staffers—last week let go 55 staffers from all departments.

Also, JWT is expected to dismiss about 40 employes in its Washington office, as it is scaled back to a service office for the U.S. Marines account and shifts the remaining business to its Atlanta and New York offices.

The expected layoffs at JWT Washington would leave 44 employes, though some might be reassigned within Thompson. Jeff White, senior vp-general man-

(Continued on Page 102)

Last Minute News

Steinert to leave FCB

NEW YORK—Jan Steinert, president of FCB Direct/East, will leave the agency at yearend to set up his own direct-response shop. His departure will clear the way for Foote, Cone & Belding Communications to merge its two New York direct-marketing operations under Robert Gordon, president of Leber Katz Partners Direct Marketing, forming an agency with $50 million-plus in billings. Mr. Steinert founded FCB Direct/East in 1985.

O&M lays off 10 in L.A.

LOS ANGELES—Ogilvy & Mather here has laid off 10 employes, about 5% of its total work force, in the second round of layoffs in five months (AA, June 16). The cutbacks reflect reduced client spending.

Jacoby to build library

NEW YORK—Robert Jacoby, ousted chairman-ceo of Ted Bates Worldwide, has donated $2 million to Princeton University, where he studied economics, for construction of a library to be named after him. Regarding his future career plans, Mr. Jacoby says he had "spoken to people heavily involved in real estate" and to "investment banking kinds of people" but had made no decision. He is still in arbitration with Bates parent Saatchi & Saatchi regarding his contract.

A-B sinks Baybry's

ST. LOUIS—Anheuser-Busch on Jan. 1 will discontinue distribution of Baybry's Champagne Cooler, in test for the past year (AA, Sept. 30, '85). A-B attributed

(Continued on Page 8)

P&G 'SYMPATHETIC'

Procter 'more anxious' to listen to agencies' compensation needs

By LAURIE FREEMAN and STEWART ALTER

The more relaxed corporate culture at Richardson-Vicks may be rubbing off on Procter & Gamble, which acquired R-V last year.

As P&G ponders its future course on network tv *(see story at right)*, it also is encouraging slow changes in the way it deals with its ad agencies and, analysts report, exploring whether to change from its individual-brand management system to one of category management.

In its agency relationships, P&G is allowing for more give-and-take, especially on the hot issue of agency compensation.

But P&G vp-advertising Robert Goldstein told ADVERTISING AGE it was "categorically untrue" that the company was scrapping the 15% commission system.

Last spring's swapping of some brands and agencies between the two companies apparently fueled reports P&G was considering switching to the cost-plus-fee system used by R-V, Mr. Goldstein said.

"Richardson-Vicks has a well publicized compensation system, and its system still is used for their brands.

We have no plans to change [R-V's or] our [system] tomorrow, nor on Dec. 1," he said.

(Continued on Page 106)

Soaper slide hits P&G tv strategy

By VERNE GAY

NEW YORK—The cancelation last week of Procter & Gamble's "Search for Tomorrow" daytime tv soap opera is the latest blow to the longest-running and most successful media strategy in U.S. advertising history.

"Search" ends a 35-year run on NBC-TV on Dec. 26, becoming the third P&G-produced soap opera in the past three years to get the ax

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Weddings were standard fare on P&G's "Search for Tomorrow."

NEWSPAPER

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100 of the best, brightest young ad clients—P. 50

Highlights

P&G adjusts agency relationships 1
The more relaxed corporate culture at Richardson-Vicks may be rubbing off on Procter & Gamble, which acquired R-V last year. P&G is pondering its future on network tv and encouraging slow changes in the way it deals with its ad agencies.

Negative political ads predominate 3
What appears certain in the aftermath of last week's elections is that negative political advertising, unless checked through legislative actions, will more and more be the staple of office-seekers at all levels.

Wyler's future uncertain 4
Borden Inc. may sell its struggling Wyler's powdered drink business if the company cannot turn it around, president-ceo Romeo Ventres last week told securities analysts in New York.

Newspapers get positive circulation marks 10
Most major newspapers in the nation's top competitive markets had good circulation news to report, according to an analysis of the Audit Bureau of Circulations' FAS-FAX report for the six months ended Sept. 30.

Delta employes share spotlight 40
Delta Air Lines is featuring individual employes for the first time in new tv commercials that depart from the carrier's usual conservative, methodical image campaigns.

$5M campaign will revive Herbalife 98
Herbalife International has resolved bitter regulatory disputes over ad claims for its health products and will begin a fight to recoup lost sales with a $5 million network tv campaign Nov. 10.

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Advertisers' top talent 50

100 of the best and brightest young ad clients

Advertising Age presents 100 of the best and brightest young advertising clients in the nation. The 100 are client executives who put their necks on the line, identifying ad objectives for the agency and approving the final creative project. Their input and their decisions are starting to set the tone of today's advertising and will influence its direction in years to come.

INTERNATIONAL

Olivetti tries new marketing tack 72
At Olivetti, the Italian marketer of office machines, the smallest part of its business—personal computers—has become one of the largest. Although Olivetti has enjoyed great success in the sale of its pcs, other companies have marketed the products under different brand names. Olivetti officials now are making changes to take more control over their own marketing.

OTHER NEWS

Advertising budgets for shampoos—$202 million last year—may plummet by as much as 50% this year as marketers introduce fewer brands and switch their measured media dollars to promotional marketing. Page 3.

Bumble Bee Seafoods' coming test of a skinless, boneless canned pink salmon promises to be the opening act in a renewed struggle for share with Ralston Purina's Chicken-of-the-Sea line. Page 24.

Pat Cafferata says her new role as president-ceo of Young & Rubicam, Chicago, will mean an increased reliance on market research at the agency. Page 47.

Regional dairies are milking consumer interest in nutrition to expand their product bases. Increased demand for calcium-fortified and value-added products has prompted small dairies to extend product lines. Page 86.

Slumping Audi of America has come out slugging against Mercedes-Benz and BMW in its biggest-ever ad spending launch. Page 93.

Goodyear Tire & Rubber Co.'s new campaign, themed "Goodyear, take me home," represents a significant departure from the company's typical advertising and marketing strategy. Page 99.

Marketing Corp. of America, parent of Ally Gargano/MCA Advertising, last week sold its two couponing operations, which will clip the company's $400 million revenues in half. Page 103.

SPECIAL REPORT

In the first six months of this year, magazine ad revenues increased, just as they had in 1984 and 1985, and last year's downturn in ad pages stabilized. But magazine publishing is in turmoil. New and old titles compete for the same, limited ad dollars, spending in certain ad categories is plummeting and costs continue to rise.

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Picture mag experiment ends at Time

By STUART J. ELLIOTT

New York—Just when Time Inc. is citing hard times as the reason not to launch a new b&w weekly news and photo magazine, it is also celebrating the b&w weekly news and photo magazine launched during the hardest times of all.

The decision Nov. 6 to pull the plug on *Picture Week* came after two tests over 14 months, and development costs of $15 million in after-tax dollars (AA, April 23, '84, *et seq.*). The last test issue, dated Nov. 17 and out today, comes a week after the publication of a special commemorative issue marking the 50th anniversary of *Life*.

The differences between 1936, when Time Inc. introduced *Life*, and 1986, when it chose not to introduce *PW*, go beyond breadlines, headlines and hemlines. Then, it was one man, Time Inc. co-founder Henry Luce, whose instincts told him to bet it all on his dream.

Now, a conservatively managed media conglomerate is gun shy

NEWS ANALYSIS

about launching a magazine that, according to all accounts, had improved its performance in test after a weak beginning. During the second phase of *PW*'s test, said publisher Bruce Barnet, a revamp in editorial content and a cover-price cut produced "the pick-up we were looking for" to a nationally projectible circulation of 1 million or more copies a week. "We had won over the doubters," said managing editor Richard Stolley, who conceived of *PW* in 1981, targeted

(Continued on Page 8)

Schoenleb out at Bojangles'; mulls buyout

By PATRICIA WINTERS

The fast-food wars, in turmoil over store closings and declining sales, suffered another executive casualty last week as E. Christian Schoenleb resigned as Bojangles' president.

The outspoken Mr. Schoenleb, a 15-year industry veteran and well known lecturer on the fast-food field, said he and Bojangles' New York-based parent, Horn & Hardart, "mutually terminated" his contract following announcement that the 299-unit chain is for sale.

Mr. Schoenleb said he is considering returning to the agency side of the business as well as possibly buying Bojangles'. He did not rule out doing both. Early in his career, he worked on the General Mills account at Needham Harper Worldwide, Chicago.

"I figured after the reorganization, it didn't make sense to stick around," he said. "I didn't want to be there if someone else bought it."

H&H said in October it was positioning Bojangles' for sale or spinoff to shareholders. The chain produced $3 million in

(Continued on Page 102)

West Coast News

Japan's Daihatsu names agency for Hijet

Long Beach, Cal.—Daihatsu America, Japan's fifth-largest auto maker, hired Abert, Newhoff & Burr, Los Angeles, to introduce its Hijet utility vehicle in January. The move is seen as a first step in introducing its full line, probably in 1988, although Daihatsu won't comment on future expansion.

Los Altos, Cal.—**Stuart Anderson's Restaurants'** search for a replacement for Hal Riney & Partners on its $10 million account has narrowed to Foote, Cone & Belding; JWT/West; Ketchum Advertising, and McCann-Erickson, all San Francisco, and Ogilvy & Mather and Scott Lancaster Mills Atha, Los Angeles.

City Of Industry, Cal.—**Presto Food Products** hired JWT/West, Los Angeles, to succeed Admarketing on its $2 million account. The company is expanding distribution of its Mocha Mix nondairy creamer to markets including Denver and Kansas City.

Los Angeles—**John Littlewood**, president of N W Ayer/Los Angeles, was named ceo. Bartine Stoner, former ceo, remains chairman.

Special Report

Byrne Gin

Magazines

Seeds of optimism sown on rocky ground

By Belinda Hulin-Salkin

At first glance, the numbers look fairly good: Over-all consumer magazine ad revenues for the first six months of 1986 increased 4.8% over 1985. Some magazines, including *Rolling Stone* and *New Woman*, even reported staggering revenue gains of 40% to 70%. Not bad, considering that the industry ended 1985 up 4.5% over 1984's record-breaking ad revenues. Ad pages are down 0.4% so far this year; that's a stabilizing turn after the 3.3% drop in 1985.

Publishers are testing and launching new titles as quickly as ever. And in the search for growth opportunities, ownership changes among established magazines abound.

But these successes belie the turmoil within the magazine business today. New titles are competing with established books for already-crowded retail rack space and limited ad dollars. Third- and fourth-ranked magazines in highly competitive fields now find it hard to stay afloat, and in some cases, whole categories—witness the consumer science magazines—are in trouble.

Meanwhile, spending in certain advertiser categories, such as computers and tobacco, has been shrinking at double-digit rates, and many costs of doing business—paper, printing, postage—continue to rise. As a result, publishers are running very hard just to keep pace. And according to industry executives, 1987 probably will bring more of the same.

"1986 is turning out to be a tough, scrappy year," says Peter Diamandis, president of CBS

(Continued on Page S-32)

Belinda Hulin-Salkin, a frequent contributor to Special Report, wrote the overview to last year's Magazines Special Report.

Unless otherwise noted, all magazine circulation figures used in this Special Report are Audit Bureau of Circulations' total circulation averages for the six months ending June 30.

Success stories
Magazine circulations over 400,000

Title	Total paid circulation 6/30/86	% change from 6/30/85
1. *Mature Outlook*	521,074	96.3
2. *Success!*	400,445	21.5
3. *Muscle & Fitness*	509,295	18.5
4. *Woman*	475,284	17.5
5. *50 Plus*	444,146	16.6
6. *Country Living*	1,580,083	15.8
7. *Modern Maturity*	13,597,330	15.1
8. *Home*	785,500	14.7
9. *Shape*	576,481	13.2
10. *Teen*	1,124,003	12.1
11. *Food & Wine*	674,223	11.9
12. *Rolling Stone*	1,027,147	11.2

Source: Circulation avgs. reported to Audit Bureau of Circulations for six months ended June 30.

Seeds of optimism sown

(Continued from Page S-1)

Magazines, New York. "It's probably the toughest year in the last decade."

Mr. Diamandis believes a mild malaise in the U.S. economy has trickled down to magazine publishing. "People are trying to get control of costs," he says. "Major advertisers are beating up on their agencies; they don't want double-digit increases in their media budgets. That affects us, and we, in turn, beat up on our paper suppliers and vendors."

Other observers add that uncertainty as to the impact of new federal tax laws has made cost-conscious advertisers even more conservative than usual. Mr. Diamandis says several trends could improve the outlook for magazines.

He says advertisers are becoming disenchanted with broadcast tv buys as zapping, videocassette recorders and cable tv make it more difficult to determine who's actually exposed to a network commercial at any given time.

"Advertisers are becoming reacquainted with print," Mr. Diamandis says. "I don't think tv is going away, but now it may be our turn to shine."

Mr. Diamandis and other magazine executives also see a continuing trend toward narrowly targeted, specialized magazines, and a resurging interest in men as a target audience.

"The women's market isn't going to die down," he says. "But some of the hoopla will subside, and in the next decade, advertisers will awaken to the fact that men are still around and they still spend money."

Some observers argue that while advertisers may shift ad buys to the benefit of some magazines and the detriment of others, the over-all problem remains the same: Dwindling ad budgets and heightened competition. In addition to the proliferation of national titles, individual magazines compete with regional publications, narrowcasted tv and increasingly zoned local newspapers for ad dollars and consumer attention.

According to Publishers Information Bureau, New York, total ad revenues for its 147 member magazines topped $2.5 billion for the first six months of 1986, an increase of 4.8% over the same period last year. But only 51 magazines reported revenue gains of 10% or more in that period and 48 showed a decline in ad dollars. The breakout for ad pages borders on the bleak: 82 magazines showed a decline, while only 26 showed an increase of 10% or more.

"It certainly has been a competitive year," says George J. Green, exec vp-group publishing director at Hearst Magazines, New York. "Advertisers have so many options now. The leading magazines in any given fields are doing well, while the others are scrounging around for what's left." Mr. Green says some former national advertisers have turned to regional buys, and in major metropolitan areas, upgraded newspaper sections are now part of the mix.

The decline of several key ad categories has been felt throughout the industry. Through the first half of the year, computer and office equipment ads were down 27.7% from last year, tobacco ads declined 0.7% on top of 1985's 15% drop, snacks and soft drinks were down 7.4% and liquor was off 2%.

Mr. Green and other magazine executives say they're turning to new ad categories to offset the losses. "Tv has had some hard times lately, which is creating an environment for magazines to do better [among certain advertisers]," he says. "Food companies seem less reluctant to put their money in magazines now, and automobile advertising in magazines is up 10%."

> ***"Advertisers are becoming re-acquainted with print. I don't think tv is going away, but now it may be our turn to shine."***
>
> **Peter Diamandis**
> **President**
> **CBS Magazines**

In addition to better response from food companies, which increased ad spending in magazines by 22.6% during the first half of 1986, and auto marketers, magazines are getting more advertising from apparel manufacturers (up 10.8%), retailers (up 12%), sellers of pets and pet products (up 37.5%), and makers of stereos, tvs and other electronic entertainment products (up 14.4%).

"Nobody's going to roll over for any one category," says Michael Levy, publisher of Austin, Tex.-based *Texas Monthly* and vice-chairman of the Magazine Publishers Assn. "But I think you'll see more aggressive pitches to get dollars away from the other media and to boost other categories."

Mr. Levy says retailers could become even more important to magazines, because of stores that need a national presence. "Magazines have lost a lot of dollars to direct mail, but retailers have become very concerned about mailbox clutter. The fact that consumers spend an average of one hour with a magazine appeals to them."

He says publishers need to educate advertisers. "When I see a double-truck ad for a $30,000 automobile in a daily newspaper, I wonder why it's there. Magazines are much better for going after the high-ticket auto buyer. Magazines collectively have to say, 'There's a better buy out there.' We haven't been doing a good enough job in explaining our advantages."

At Conde Nast Publications in New York, executives have used several years of research to woo auto ad dollars into its women's titles. According to corporate marketing director Eckart Guthe, the company's 1981, 1983 and 1986 studies on women and car buying have helped convince auto manufacturers that women are significant customers.

"Six years ago, nobody wanted to believe that women buy cars," Mr. Guthe recalls. "But we showed them the results of our studies, and once they started thinking along the lines of market segmentation—not just demographics—their media buying patterns changed." Conde Nast's *Glamour*, *Mademoiselle* and *Vogue* collectively featured 61 pages of auto ads in 1985, compared to none in 1980, according to PIB.

Mr. Guthe says changes in market conditions periodically force advertisers to take a new approach to marketing, and as a result, media buys shift. That can bring a windfall to certain publications and adversely affect others.

He says Conde Nast is thinking of using extensive reader research to switch habits among other ad categories, such as liquor. "In the beginning, liquor advertisers shied away from any publications that focused on fitness or health. The companies believed that people who run and eat healthy food don't drink or smoke," Mr. Guthe says. "But liquor companies are starting to see that the fitness trend is not their enemy."

Even if advertisers do take a new look at nontraditional magazine buys, Mr. Guthe agrees that unless over-all ad budgets increase, 1987 is likely to be another tough year. "There are more titles, especially in the area we operate in: Upscale magazines," he says.

But not all publishers are facing the coming year with fear and trepidation. Triangle Publications' *TV Guide* circulated 18.5 million copies of its Sept. 13 fall preview issue, a bonus of 2.1 million for advertisers. The issue brought in $12 million in ad revenues, and Radnor, Pa.-based publisher Eric Larson says issues through the end of 1986 have been filling up nicely.

Rather than competing with tv buys, TV Guide ad director Bob Baumler says it benefits from a special synergy with the medium. "*TV Guide* is always sitting right there beside the tv, and it's used with tv," he says.

Likewise, Kenneth Gordon, publisher of Pleasantville, N.Y.-based *Reader's Digest*, considers tv to be something of a partner. "We don't go out and knock tv," he says. "It's got a very important role in building awareness for a product. But a 15-second spot can't give you product details. Our job is to provide the details. Advertisers need that double exposure."

Ad pages at *Reader's Digest* are up 19.4% over a weak 1985 and revenues are up 3.1%. According to Mr. Gordon, the magazine's current success has come from aggressive promotion and an extensive marketing research effort.

New advertising options have been introduced. Special ad sections within *Reader's Digest*, such as the December, 1985, Christmas shopper and October's "Food Digest," have been successful.

The magazine also is in the midst of a $1 million test of shrink-wrapped magazines that would allow the company to include freestanding inserts with its regular distribution.

Not all industry executives agree with *Reader's Digest's* methods, but many believe the company has the right idea.

"We're all going to have to be a lot more innovative in selling the value of magazines," Hearst's Mr. Green says. "The pace of business is going to increase. We're going to have to be more visible to advertisers, and our magazines are going to have to be more carefully focused on the audience we're trying to reach."

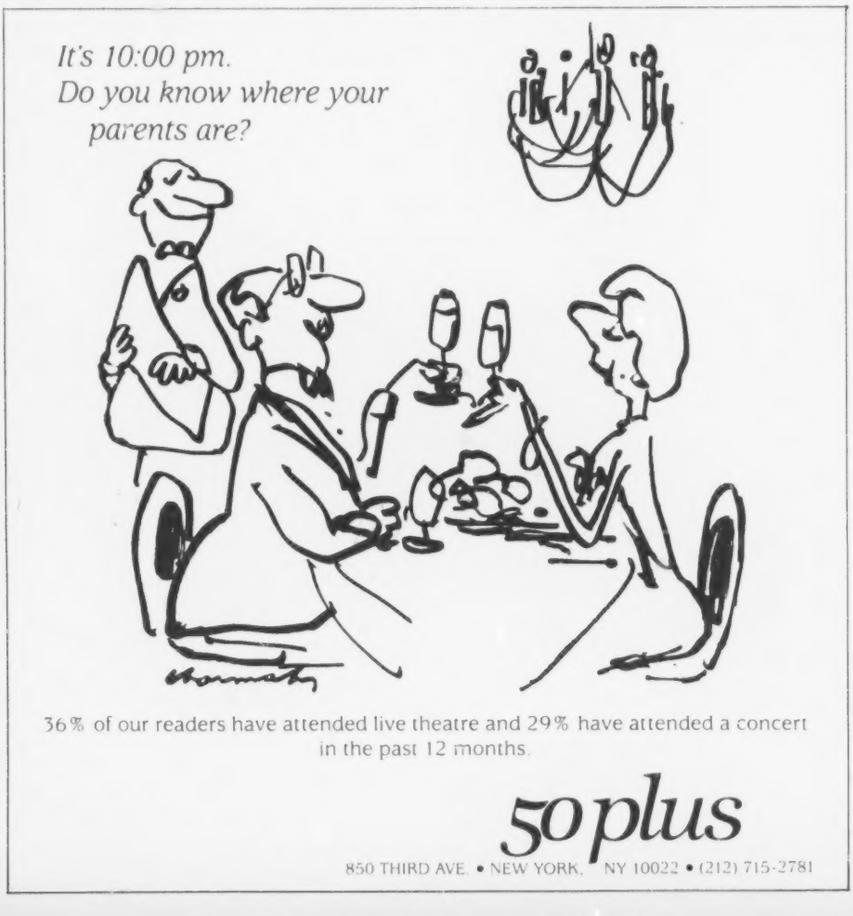
Observers expect to see a turning point in the magazine industry as 1988 approaches. It's an election year and there'll be another round of Olympic Games to tout.

Says Steven Rattner, magazine analyst and a principal at Morgan Stanley in New York, "The magazine business is closely tied to the general economic cycle. To some extent, its weakness now stems from its strength before. It will be a lot easier for it to look good next year compared to this year."

Associate editor Julie Liesse Erickson coordinated this report on Magazines.

Coming

Next week Advertising Age's Special Report will present its annual **Media Outlook** issue.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